

FISCAL NOTE
SB 3039 - HB 3031

February 18, 2004

SUMMARY OF BILL: Requires all nursing homes to have a sprinkler system in place by July 1, 2009. The system must conform to the building and fire safety codes applicable to newly constructed facilities. No state funds are to be appropriated or utilized to meet the requirements of the bill.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Less Than \$100,000/Over Time
Increase State Expenditures - Not Significant

Other Fiscal Impact:

Potentially Reduce Federal Expenditures - up to \$6,669,000 over 25 years

Potentially Reduce State Expenditures - up to \$3,800,000 over 25 years

Estimate assumes:

- Under current law the Department of Health is authorized to assess for plans review from nursing homes. The amount assessed for review of sprinkler plans will be spread over each fiscal year until June 30, 2009. The Department will incur a not significant increase in expenditures for review of these plans.
- The statute would require nursing homes to install sprinklers but would not allow any state funding for reimbursement of construction costs. Prohibiting state funding would also result in loss of federal Medicaid matching funds for these expenditures. The cost in current dollars of installing sprinkler systems in all nursing homes that do not currently have complete systems is \$10,469,000. Under current law, such expenditures are capital costs that are covered under TennCare subject to a 25-year amortization schedule. The state share of these funds would be \$3,800,000 and the federal share would be \$6,669,000.
- Implementation of this law would not violate federal Medicaid law. According to federal Medicaid regulations, 42 CFR 447.253 (b)(1):
The Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.
- If it were determined that this law violated the requirements of federal Medicaid law, it is not possible to assess the actions that would be taken by the federal government and their impact on state and federal expenditures.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director